

# **ESSEX REGIONAL RETIREMENT SYSTEM**

## **NEWSLETTER FOR RETIREES AND MEMBERS**

**Spring 2015**

### **ERRS BOARD APPROVES 3% COLA FOR 2015**

By Susan J. Yaskell & H. Joseph Maney  
ERRS Board Elected Members



*Mrs. Yaskell is the retired Town Accountant for Groveland and West Newbury. Ms. Yaskell serves as the Vice Chair of the ERRS Board.*

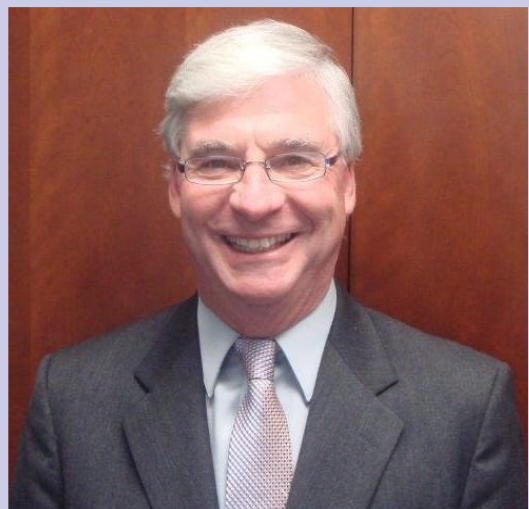


*Mr. Maney is the retired Town Administrator of Lynnfield. Mr. Maney serves as the Chair of the ERRS Board.*

We are pleased to announce that this past February the Board of the Essex Regional Retirement System (ERRS) has again unanimously voted to provide a 3% Cost-of-Living Adjustment (COLA) for all eligible retirees. This increase will take effect as of July 1, 2015 and you will see the adjustment in your benefit payment that you will receive on July 31, 2015. In 2012 the Board, with the approval of the Advisory Council, increased the base to which the COLA applies to \$13,000. So in July, the 3% COLA increase will be on the first \$13,000 of the benefit you receive.

We would also like to remind ERRS retirees and members that information on your retirement account is available to you directly when you use the Employee/Retiree Portal on the ERRS website. The portal is located on the left side of the home page at [www.essexregional.com](http://www.essexregional.com). Click on the Employee/Retiree Portal link and follow the instructions for creating your user account. The web portal permits you to perform your own retirement benefit estimates, update contact information, verify beneficiary and service information, review your benefit payment details, and gives you access to prior year 1099 information. Please contact ERRS at (978) 739-9151 if you need assistance in setting up your username and password.

Please do not hesitate to contact us with any concerns or questions regarding the retirement system. We can be reached at [syaskell@essexrrs.org](mailto:syaskell@essexrrs.org) or at [josephmaney@msn.com](mailto:josephmaney@msn.com).



*Mr. Singer is the Town Administrator in Middleton and is elected by the Chief Executives of the units of ERRS.*

## ESSEX AGGIE UNFUNDED LIABILITY

By Ira S. Singer  
ERRS Board First Member

On April 9, 2015, ERRS held its first meeting of all of the Chief Executives of our member units. At our meeting on April 9th, I was able to update the Chief Executives on the issue of payment for the unfunded liability attributable to the former Essex Agricultural and Technical School (Essex Aggie).

You may have read about the merger of the former Essex Aggie into the new Essex Technical High School (Essex Tech) on July 1, 2014. This merger was authorized by legislation passed in 2004, which also placed the employees of the new Essex Tech in the Salem Retirement System. The retirees of the former Essex Aggie remained with ERRS.

Putting Essex Tech into the Salem Retirement System left ERRS with 47 member units, rather than 48. Consequently, the annual appropriation paid by our member units, which includes a contribution towards the unfunded liability of the retirement system, is now allocated among one less ERRS unit. This has increased the cost of the contribution towards the unfunded liability for the remaining 47 ERRS units.

The Legislature contemplated this potential issue if Essex Aggie was ever merged into another school and included language in the Act which abolished county government requiring the “successor agency” to Essex Aggie to continue to contribute its share of the unfunded liability. However, there is no legal mechanism by which ERRS can directly bill Essex Tech, which is clearly the “successor agency” to Essex Aggie, as one retirement system cannot bill an employer unit that is a member of another retirement system.

Kevin Merz and I met with our North Shore legislative delegation at the State House on March 11th. After the meeting, we submitted to Representative Brad Hill’s office draft legislation which permits ERRS to bill Essex Tech directly on an annual basis beginning in Fiscal Year 2017 and continuing until the Essex Aggie share of the unfunded liability is paid. We trust this will remove the burden placed on our 47 units which are currently funding Essex Aggie’s share of the unfunded liability. By spreading the payments out annually over several years, we also will avoid any negative affects on Essex Tech’s ability to provide services to its students and its member communities.

If you have any questions on this issue, I can be reached at [isinger@essexrrs.org](mailto:isinger@essexrrs.org).

## SPRING 2015 ADVISORY COUNCIL MEETING REVIEW

By Kevin Merz  
ERRS Board Second Member & Advisory Council Chair

ERRS held its spring Advisory Council meeting on April 22, 2015. I want to thank the Town of Topsfield for hosting our meeting.

At this meeting, I reviewed the status of the ERRS Board's efforts in resolving the issue of the unfunded liability attributable to the former Essex Aggie. We also reviewed the upcoming annual audit of ERRS and the role our employer units will play in complying with the new GASB 68 rules.

Also at this meeting, ERRS staff reviewed the importance of completing all of the forms required when an employee joins the retirement system. Retirement may seem like a long way off when a new employee is filling out their enrollment form. But errors in enrollment information, or insufficient documentation, can negatively affect an employees retirement account for years, and consequently, their ability to properly plan for retirement.

ERRS is taking steps to insure that new employees fully complete their enrollment packets. In particular, it is important for the employer to correctly state the new employees work status, particularly in the case of part-time employees. Clearly stating a new employees work status insures that only eligible employees become members in the retirement system and that their service will be credited properly.

In addition, beneficiary information should be completed and the required documentation provided. Also, new employees need to provide a birth certificate at the time of enrollment, as it is a requirement that ERRS maintain a proof of age for all members. New employees also need to identify any prior public service with any other retirement system so that their service can be transferred to ERRS and properly credited to their account.

Correct and properly documented enrollment packets can save employees, the employer and the retirement system countless headaches and heartache down the road. ERRS looks forward to working with our unit treasurers and payroll coordinators on additional ideas for improvements in our enrollment procedures. Members should also feel free provide recommendations to their employers or to ERRS directly on improvements in the enrollment process.

Please feel free to contact me with any questions at [kmerz@essexrrs.org](mailto:kmerz@essexrrs.org).



*Mr. Merz is the Treasurer-Collector for the Town of Ipswich. Mr. Merz is elected by the members of the ERRS Advisory Council, of which he is also the Chair.*





## BENEFICIARY OPTIONS AT THE TIME OF RETIREMENT

By Vincent R. Malgeri  
ERRS Board Fifth Member

When completing your application for retirement, you will choose from one of three beneficiary options. This is a decision taken with great care for many reasons, particularly since you cannot change your option selection after your effective retirement date. To assist you in preparing for this decision, a summary of the three beneficiary options are listed below.

*Mr. Malgeri is an attorney and the Retirement Administrator for the Greater Lawrence Sanitary District Retirement Board.*

**Option A:** A member may choose not to designate a beneficiary by selecting Option A. Under Option A, a member will receive a full retirement allowance in monthly payments as long as the member lives. However, all allowance payments will cease upon the member's death and no future allowance payments will be made, nor will a return of any amount of money remaining in the member's annuity savings account be made to anyone.

**Option B:** Option B provides a member with a lifetime allowance which is approximately 1% to 5% less per month than the allowance payable under Option A. Under Option B, a member may designate as many beneficiaries they desire. The member may designate an individual, individuals, a charity, an institution, or virtually any entity or entities. Although the choice of an option may not be changed after the date a retirement allowance becomes effective, a retiree may change his or her Option B beneficiary designation at any time. This is the "default" option assigned if the member fails to select an option by the effective date of their retirement.

**Option C:** Under Option C, a member's retirement allowance will be approximately 7% to 15% less than he or she would receive under Option A. Upon the death of the retiree, the designated beneficiary will be paid a monthly allowance for the rest of their life. That allowance will be equal to two-thirds of the allowance which was being paid to the retiree at the time of his or her death. Only one beneficiary may be named under Option C. The eligible beneficiaries are limited to a member's spouse, the member's former spouse (provided he or she has not remarried at the time the Option C benefit becomes payable to the member), the member's child, parent, or sibling. Once a member's retirement has become effective, the Option C beneficiary designation cannot be changed. If the Option C beneficiary dies before the member, the member would thereafter be paid the full retirement allowance he or she would have received had he or she originally selected Option A.

I hope this information is helpful and if you wish to contact me, you can always reach me at [vmalgeri@essexrrs.org](mailto:vmalgeri@essexrrs.org).

## RETIREMENT COUNSELING CHANGES

By Charles E. Kostro  
ERRS Executive Director

To insure that ERRS members receive the retirement counseling you need to make informed decisions, we have implemented several changes in 2015.

First, the Board approved several new positions that reconfigured the responsibilities of ERRS staff. Staff are now responsible to provide end-to-end counseling services, requiring us to become knowledgeable in all areas of retirement matters. As a small staff, we cannot limit ourselves to “silos” in which we possess only limited knowledge of specific areas of retirement matters. With six staff people responsible for handling more than 5,000 retiree and member accounts, we need to be knowledgeable in all areas of retirement matters in order to meet the needs of our retirees and members timely and completely.



*Charles E. Kostro is the Executive  
Director of ERRS.*

We have also taken steps to make sure that you receive complete retirement counseling when you speak or meet with ERRS staff. As you will see elsewhere in this newsletter, we have developed a checklist which describes the basic things members need to know when preparing for retirement. ERRS staff will also use this checklist to insure that all of your retirement options are fully reviewed with you.

ERRS will be announcing its schedule for attending benefit fairs held by our member units soon. During these benefit fairs, our staff will be visiting our member communities to meet with retirees and members at your local town hall or school. Please check the Latest News and Announcements section on the home page of the ERRS website for a listing of dates, times and locations where these benefits fairs will be held.

We also recommend that you sign up to use the Employee/Retiree web portal that is available on the ERRS website. This will allow you to confirm all of your retirement account information without having to leave your house. You can also perform retirement estimates using the web portal and can configure your retirement estimates using multiple scenarios to help you determine the retirement plan that best suits your needs.

If you have any questions or comments, you can reach me at [ckostro@essexrrs.org](mailto:ckostro@essexrrs.org) or by phone at (978) 739-9151, extension 105. Our office hours are Monday through Friday, 8:30 a.m. to 4:30 p.m.

## ***UPDATES FOR ERRS MEMBERS***

### **MUST BE AN ACTIVE MEMBER TO PURCHASE PRIOR SERVICE**

On July 3, 2014, the Contributory Retirement Appeal Board (CRAB) issued a decision in the matter of Zavaglia v. the Gloucester & Salem Retirement Boards. In summary, this decision upheld an earlier Division of Administrative Law Appeals (DALA) decision that concluded that to purchase prior non-membership service the person who seeks to purchase such service must be a member in service, actively employed in a governmental unit. Therefore, if you are an inactive member you are not eligible to purchase prior, non-membership service or prior membership service for which you took a refund. This is particularly important for members who are planning to retire and who are considering whether to purchase service at the time of their retirement. You must make sure that your service purchase has been completed while you are still a member in service.

### **INSURANCE AFTER YOU RETIRE**

Although ERRS will withhold your monthly health insurance premium from your retirement benefit, your eligibility and options for health insurance is arranged through your last employer. You must contact the designated person at your last employer for your health insurance coverage prior to your effective retirement date. Your employer will contact ERRS with the proper monthly health insurance premium amount to be withheld from your benefit. Members should also know that health insurance premiums withheld from your monthly retirement benefit are a post-tax deduction.

### **ANNUAL MEMBER STATEMENTS**

Annual statements were mailed to all active and inactive members of ERRS in March. If you did not receive an annual member statement, please contact ERRS at (978) 739-9151 or via email at [info@essexrrs.org](mailto:info@essexrrs.org). Please check your member statements carefully to insure that all of the information on your account is correct. If you believe any information on your member statement is incorrect or needs to be updated, please contact ERRS at your earliest convenience.

### **INACTIVE MEMBERS**

Members of ERRS who are no longer employed in a governmental unit and who leave their funds on deposit with the retirement system should be aware that your account will not receive interest after two years. Members who have been inactive for more than ten years will have their account transferred to the Pension Reserve Fund. If you do request a refund of your account and you subsequently become a member of a public retirement system in Massachusetts, you can purchase your past service. However, you will come back as a new member and be governed by the post-April 2, 2012 pension reform rules.

## ***UPDATES FOR ERRS RETIREES***

### **UPDATED FORM W-4P NOW AVAILABLE**

Your ERRS retirement benefit is subject to federal tax withholding. A retiree may change their federal tax withholding at any time. ERRS has recently updated its Substitute Form W-4P. If you are interested in changing the federal tax withholding from your ERRS benefit, please complete the Substitute Form W-4P and submit it to us at your earliest convenience. The new form is available on the ERRS website at [www.essexregional.com](http://www.essexregional.com), by using the Forms link which is located on the left of the home page. Please call ERRS at (978) 739-9151 if you need any assistance.

### **RETIREMENT BENEFIT PAY DATES FOR 2015**

Monthly retirement benefits are paid on the last business day of each month. Please find below the schedule of benefit payment dates from May through December of 2015. The direct deposit of your benefit payment will appear in your account on these days:

May 29, 2015  
June 30, 2015  
July 31, 2015  
August 31, 2015  
September 30, 2014  
October 30, 2014  
November 30, 2014  
December 31, 2014

### **2015 ANNUAL CENSUS FORMS**

We want to thank all of the retirees and those receiving benefit payments for completing your annual census and returning it to ERRS. It was a challenge this year to mail these forms to you, and from you back to ERRS, due to the extreme weather in January and February. Nevertheless, we experienced one of the highest rates of return for the annual census this year when compared to prior years. We appreciate the extra effort everyone made to complete the census and return it to us. If you have not completed your annual census form, please do so as soon as possible as failure to return the census will jeopardize the continuation of your benefit payments. Please remember that you must get the form notarized if you are mailing it to ERRS. If you wish to submit the form in person, you need not notarize the form. Instead, an ERRS staff member will witness the return of your form and will verify that you signed it in their presence.

### **RETIREE WEB PAGE**

Please visit the Retiree page on the ERRS website at [www.essexregional.com](http://www.essexregional.com) for all the latest news and announcements affecting ERRS retirees. Click on the Retiree tab at the top of the home page to access the page dedicated to ERRS retiree news.



**\*NEW RETIREMENTS\***

*Please join us in congratulating the members listed below on their retirement. These are the members who have retired since our last newsletter was published in the fall of 2014.*

**John C. Adams**, Foreman, Forestry Department, Town of Ipswich DPW  
**Marie F. Amaral**, Manchester-Essex Regional School District  
**John F. Canavan**, Highway Foreman, Town of Lynnfield DPW  
**Jill J. Chagnon**, Food Services, Hamilton-Wenham Regional School District  
**Paul Colby**, Director, Byfield Water District  
**Carla Collins**, Extended Learning Coordinator, Triton Regional School District  
**John J. Curley**, Laborer, Rockport Department of Public Works  
**Linda L. Curtin**, North Andover Public Schools, Paraprofessional  
**Regina C. Eriksen**, Secretary, Town of Boxford Library  
**Marcia E. Ford**, Youth Director, Ipswich Recreation Department  
**Daniel F. Gallant**, Leader – Equipment Operator, Ipswich Department of Public Works  
**Joseph J. Gamache**, Detective Lieutenant, Rowley Police Department  
**Lester Garlick**, Custodian, Rockport Public Schools  
**William J. Gustus**, Administrator, Town of Lynnfield  
**Clinton E. Hatch**, Lieutenant, Town of Manchester Fire Department  
**Christine Horne**, Administrative Assistant, Manchester Essex Regional School District  
**Charles W. Kennedy**, Custodian, Georgetown Public Schools  
**David L. Levesque, Sr.** Electrical Inspector, Multiple Towns  
**Nancy Lewandowski**, Assistant to the Board of Selectman, Town of Groveland  
**John T. McCarthy**, Chief, Rockport Police Department  
**Daniel B. McNeil**, Patrolman, Salisbury Police Department  
**David Meister**, Town of West Newbury, Custodian  
**Barbara A. Mortalo**, Kitchen Manager/Cook, Middleton School Department  
**Stephen M. Nangle**, Maintenance Worker, Rockport Public Library  
**William O'Neil**, Fire Fighter, Town of Middleton  
**Cleveland L. Parker**, Ipswich Public Schools, Custodian  
**Charlene Parro**, Teaching Assistant, Ipswich Public Schools  
**Charles Peabody**, Lynnfield Police Department, Patrolman  
**Emily D. Pierro**, Office Administrator, Lynnfield Water District  
**Edward Stephen Quirk**, Director of Grounds & Maintenance, Rockport Schools  
**Richard C. Shruhan**, Director of Facilities, Hamilton Wenham Regional Schools  
**Kathleen T. Sirois**, Administrative Assistant, Town of Newbury  
**Lillian C. Webster**, Accounts Payable Clerk, Town of North Andover  
**Clifford A. Whicher**, Foreman, Town of Topsfield DPW

**Congratulations!**



## CALL FIRE & RESERVE POLICE SERVICE PURCHASE REGULATION UPDATE

As many of our Group 4 members know, in June of 2013, the Contributory Retirement Appeals Board (CRAB) rendered a decision in the case of Brenton MacAloney v. Worcester Regional Retirement Board, et al., (MacAloney.) This decision required all retirement boards in the Commonwealth to reassess the manner in which they award “free” service of up to five years to qualified public safety officers under the provisions of Massachusetts General Law, Chapter 32, Section 4(2)(b). Since the CRAB decision, the Public Employee Retirement Administration Commission (PERAC) has issued three memoranda providing guidance to retirement boards on their options in awarding reserve police and call fire service. The last of these memoranda were issued to local retirement boards at the end of May of 2014.

The issues in the MacAloney case were whether (1) the provisions of M.G.L. c. 32, § 4(2)(b) permit a reserve or permanent intermittent police officer or a reserve, permanent intermittent or call fire fighter who was on his respective list and was eligible for assignment to duty subsequent to his appointment to receive "free" creditable service for up to five (5) years and; (2) a retirement board could promulgate a regulation which would allow for a member to purchase and receive credit for such service rendered beyond the 5 year period even if the municipality had not accepted the local option provision of Section 4(2)(b).

Contrary to prior decisions of the Division of Administrative Law Appeals (DALA) and directives from PERAC, the MacAloney decision concluded that members who are eligible to receive credit pursuant to Section 4(2)(b) are not entitled to receive such service without remitting contributions to the retirement system based on the actual service performed during the first 5 years, and retirement boards may promulgate regulations, subject to the approval of PERAC, which allow members to purchase and receive credit beyond the 5 year period.

In November, ERRS approved a regulation to establish the process by which our members could purchase the five years of service previously granted for free. This regulation was submitted to PERAC for its approval but, as of the printing of this newsletter, the regulation has not yet received approval by PERAC.

Nevertheless, beginning in the spring of 2015, ERRS is starting the process of contacting members who were credited with five years of call fire or reserve police service at no charge, or who received a refund for this service after submitting payment. Even though the regulation submitted by ERRS is not yet approved, we understand that members affected by the MacAloney decision are anxious to resolve the status of their service. If you have not been contacted by ERRS and believe you are affected by the MacAloney decision, please contact ERRS and we will work with you to address the purchase of your call fire or reserve police service.

## RETIREMENT CHECKLIST

Please use this superannuation retirement checklist to help prepare your retirement application, or to prepare for your counseling meeting with ERRS staff. We hope it is helpful.

### **Retirement Date:**

- ✓ If you defer your retirement date 60 days beyond your last day of employment, your retirement date must then be not less than 15 days and not more than four months after your application date.

### **Insurance:**

- ✓ Your health insurance when you retire is through your last employer.
- ✓ Your health insurance premium, however, can be withheld from your monthly benefit as a post-tax deduction.

### **Monthly Benefit Payment:**

- ✓ Direct deposit is mandatory for new ERRS retirees.

### **Documentation To File With Your Application:**

- ✓ Birth Certificates (two if Option C) – or Alternative Substantiation for Beneficiary.
- ✓ Marriage Certificate.
- ✓ Social Security Number for Beneficiaries.
- ✓ DRO (if applicable).
- ✓ DD214 (if applicable).
- ✓ Photo identification for member and beneficiary.

### **Post-Retirement Earnings:**

- ✓ Ask about the limits on your post-retirement earnings on public sector employment.
- ✓ You should receive the PERAC list of FAQs on post-retirement earnings.

### **Social Security:**

- ✓ Review the summaries of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).
- ✓ Contact your local Social Security office for specific benefit information.

### **Anti-Spiking:**

- ✓ Ask about the anti-spiking limitations and how it may affect the salary used to calculate your retirement benefit.

### **Retirement Guide:**

- ✓ Review PERAC's Retirement Guide, a copy of which ERRS will provide to you.

## ERRS NEWS BRIEFS:



### 2015 ERRS Board Meeting Dates:

Meetings of the Board of the Essex Regional Retirement System are generally held on the last Monday of each month. These meetings are open to the public and typically start at 8:30 a.m. There is an item on each Board meeting agenda for public comment, which is open to anyone who wishes to address the Board. Agendas for each meeting are posted on the ERRS website at [www.essexregional.com](http://www.essexregional.com) and are distributed to each community within the retirement system for posting at the local town hall. Please find below the dates scheduled for ERRS Board meetings for the remainder of 2015:

Annual Board Meeting Dates		
Month	Day	Year
May	18	2015
June	29	2015
July	20	2015
August	31	2015
September	28	2015
October	26	2015
November	23	2015
December	21	2015

### ERRS INVESTMENT PERFORMANCE REPORT FOR YEAR ENDING 12/31/2014:

As of December 31st, 2014, the Essex Regional Retirement System's portfolio was valued at \$367,465,308. The retirement system recorded a total investment return, net of fees, of 8.6% for the year. ERRS has realized a three year total investment return, net of fees, of 12.2%, and a five year total investment return, net of fees, of 10.3%. ERRS invests 91.6% of its assets, or \$336,616,742 in the Pension Reserves Investment Trust (PRIT) fund managed by the Commonwealth's Pension Reserves Investment Management (PRIM) Board. ERRS oversees nine private fund managers who invest 8.2% of ERRS assets equaling \$30,048,306. Of the privately managed funds, 5.0% or \$18,320,725 is invested in private equity, and 3.2%, or \$11,727,581 is invested in real estate. The remaining 0.2% of ERRS assets are in cash funds.

### 2014 ERRS EXPENSES UNDER BUDGET FOR FOURTH CONSECUTIVE YEAR:

The retirement system continues its efforts to control and reduce administrative expenses. 2014 marked the fourth consecutive year that administrative expenses were less than the approved budget. ERRS' 2014 administrative budget was \$1,047,664 and final, actual spending was \$922,298. ERRS' 2015 budget also marked the fourth consecutive year that the administrative budget request was less than the prior year. In 2015, ERRS' administrative budget is \$1,035,976.

**ESSEX REGIONAL RETIREMENT SYSTEM**  
**491 Maple Street**  
**Building 200, Suite 202**  
**Danvers, MA 01923**



**ERRS STAFF CONTACT INFORMATION**

*Charles E. Kostro, Executive Director*

*Phone: (978) 739-9151 x105*  
*Email: ckostro@essexrrs.org*

*Anne Speicher, Director of Finance  
& Administration*

*Phone: (978) 739-9151 x103*  
*Email: aspeicher@essexrrs.org*

*Traci Masterson, Executive Assistant*

*Phone: (978) 739-9151 x121*  
*Email: tmasterson@essexrrs.org*

*Krysten Wallace, Retirement Counselor*

*Phone: (978) 739-9151 x104*  
*Email: kwallace@essexrrs.org*

*Scott Provensal, Retirement Counselor*

*Phone: (978) 739-9151 x123*  
*Email: sprovensal@essexrrs.org*

*Donavin Bentley, Membership Coordinator*

*Phone: (978) 739-9151 x101*  
*Email: dbentley@essexrrs.org*